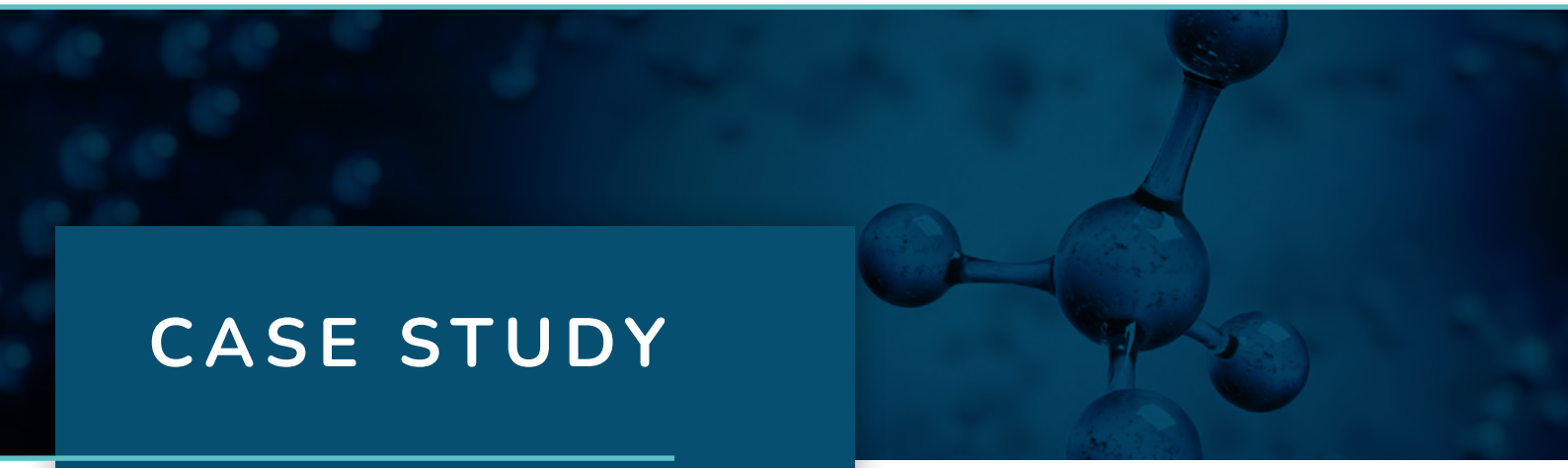
METHANE GUIDING PRINCIPLES

FSR Florence School of Regulation



CASE STUDY

Tackling emissions at home and abroad: EU Methane Strategy and proposed regulation

On December 15th, 2021, the European Commission tabled a proposed regulation targeting methane emissions in the energy sector. The proposal follows the EU's strategy to reduce methane emissions, released in 2020. This case study discusses the background of the EU's Methane Strategy as well as the content of the proposed regulation.

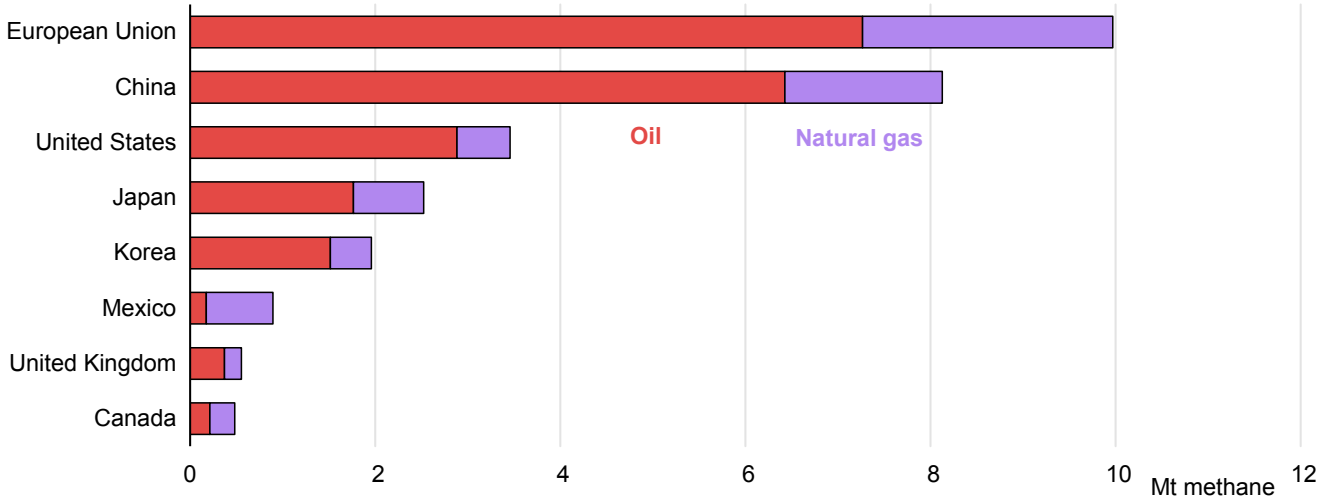
Context

The EU has a long-term objective to achieve climate neutrality by 2050 and a mid-term binding goal to reduce GHG emissions by at least 55% below 1990 levels by 2030. Both targets have been communicated in the EU Nationally Determined Contribution under the Paris Agreement. While the EU does not have a methane-specific binding reduction target, in 2020 the European Commission introduced an EU Methane Strategy that recognised methane emissions cuts as essential to achieving 2030 and 2050 climate objectives. The EU also led the launch of the Global Methane Pledge alongside the United States at COP26 in 2021, committing to work together with other participants to collectively reduce methane emissions by at least 30% below 2020 levels by 2030.

Methane accounts for about 10% of total greenhouse gas (GHG) emissions in the EU, second only to CO2. Agriculture, waste and energy are the key sources of methane emissions. Fossil fuel supply chains, including coal, oil and gas, account for around 20% of methane emissions within the region.

As world's largest importer of oil and gas, the EU has the leverage to promote energy-related methane emission reductions globally. As stated in the EU Methane Strategy, estimates show that external carbon or methane emissions associated with EU fossil gas consumption (i.e. the emissions released outside the EU to produce and deliver fossil gas to the EU) are between three to eight times the quantity of emissions occurring within the EU.

Methane emissions associated with oil and gas imports in selected countries and regions, 2020



Source: International Energy Agency

An EU Methane Strategy

The strategy aims to reduce agriculture, waste and energy emissions both in the EU and internationally. In particular, it prioritizes improving the quality and accuracy of methane emissions reporting, both at the corporate and national levels. To do this, the strategy calls for:

a) accelerating the shift from Tier 1 to Tier 3 reporting under the UNFCCC framework
b) establishing the International Methane Emissions Observatory (IMEO)
c) increasing satellite-based detection and monitoring of methane emissions

The strategy places particular emphasis on reducing emissions from the coal, oil and gas supply chains, which are currently the most cost-effective to reduce. The strategy supports voluntary industry initiatives (such as the Oil and Gas Methane Partnership 2.0) and the development of a methane-specific legislative agenda in the EU.

Proposed regulation on methane emissions reduction in the energy sector

In line with this, on December 15th, 2021, the European Commission tabled a proposed regulation targeting methane emissions in the oil, gas and coal sectors, which introduces new rules for:

a) **Measurement, reporting and verification (MRV):** The proposal requires operators to gradually move from emissions estimates toward direct emissions measurement at the source and site level, with mandatory reporting. Verification will involve independent accredited verifiers, the IMEO and relevant national authorities.

b) **Leak detection and repair (LDAR):** The proposal includes the harmonisation of rules concerning inspection frequency (every three months), the emissions detection threshold (500 ppm), repair time (within five days after detection), reinspection timing (within 15 days), and record-keeping and reporting obligations.

c) **Venting and flaring:** The proposal introduces a ban on routine flaring and venting. Non-routine venting or flaring is allowed in case of emergency, malfunction or where unavoidable. Venting is allowed only if flaring is infeasible.

d) **Emissions occurring outside the EU:** The proposal puts forward a 2-step approach to imported emissions. First, it introduces three emission transparency tools, namely, importer reporting requirements, a methane transparency database and a set of methane super-emitter monitoring tools. Second, the proposal suggests that the Commission will strengthen the requirements for importers regarding MRV and emission mitigation by the end of 2025.

The proposal is currently being negotiated among the European Commission, European Parliament and the Council of the European Union. The final version is likely to be adopted in 2023 or 2024. In the meantime, the EU will support further cuts in methane emissions in third countries through other measures, for example through the “you collect/ we buy” scheme proposed as part of the 2022 REPowerEU package.

The proposed legislation includes many of the practical measures to drive down methane emissions outlined in Curtailing Methane Emissions from Fossil Fuel Operations: Pathways to a 75% Cut by 2030. For more policy options and material on regulatory development, see further resources presented in Regulatory Development.

Find out more

- Florence School of Regulation
- International Methane Emissinos Observatory
- Colombia CATF
- New Mexico rules
- MGP website page on EU methane policy

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